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Finance - Economics

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Tuesday, March 13, 1917

Along with the rest of the nation, Wall Street is doing some serious thinking about the affairs of the world in general, and this country in particular, but its conclusions, if any have been reached, are not finding definite expression in terms of rising or falling quotations for stocks. The threat of general railroad strike that would paralyze the whole industrial organism and seriously derange the economics of national existence, is a development scarcely to be contemplated without a feeling of apprehension, and yet the action of the stock market does not suggest that the news is so regarded. Perhaps the unwritten rule, "never sell stocks on a strike," to which Wall Street has long adhered has lost none of its efficacy, and on the present occasion restrains what might be regarded as a natural impulse to sell securities, on the theory that labor troubles tend to demoralize business and therefore impair investment values. What is more probable, however, is that few people seriously believe a strike will be called.

The February statistics of foreign trade passing through the port of New York afford some measure of the extent of the injury wrought to our external commerce by the German submarine blockade. Compared with January, exports declined \$78,474,953. Compared with February, 1916, the loss was \$1,470,795. These figures must be qualified, however, because of the differences in the length of the periods. It appears that the daily average exports in February were \$7,980,862, against \$9,739,088 in January, and \$7,756,377 in February, 1916. That is an increase of 2.9 per cent over the corresponding month a year ago, and a decrease of 18.1 per cent from January. In actual quantity the decrease was probably greater than that, since February prices were well above those prevailing in the preceding month.

Money and Credit

In the money market the principal effect of the steady influx of gold from Canada is seen in the increased offering of time funds for the longer maturities at substantial concessions from the high rates of last month. At the moment offerings are mostly from out-of-town institutions, which regard the rates here attractive. Chicago banks have recently appeared in the local market conspicuously as lenders. Local banks, while they are becoming somewhat more active, are still pursuing a conservative course, and business as a whole continues rather light in volume. Rates for loans on good railroad and industrial collateral run at 3 1/2 to 3 3/4 per cent for sixty days, 3 1/2 to 4 per cent for ninety days, and four months and 4 per cent for five and six months. Industrial loans are quoted 1/2 to 1 1/2 per cent higher.

Offerings of call money were not quite so plentiful yesterday, and the ruling rate was marked up 1/4 per cent to 2 1/2 per cent.

Ruling rates on money yesterday, compared with a year ago, were as follows:

	Yesterday	Year ago
Call money.....	2 1/2%	2%
Time money (mixed collateral):		
60 days.....	3 1/2 to 3 3/4%	2 1/2 to 2 3/4%
90 days.....	3 3/4 to 4%	2 3/4 to 3%
4 months.....	4%	3%
5 to 6 mos.....	4 1/2%	3 1/2%

Commercial Paper.—Trading in this market is dull. The undertone is somewhat easier, although there is no quotable change in the rate, prime regular maturities ruling at 4 1/2 per cent. Local institutions are inactive.

Official rates of discount of each of the twelve Federal districts are as follows:

	Days	Over	Over	Over
	15 or 30	30 or 60	60 or 90	90 or 120
Boston.....	3 1/2	4	4 1/2	4 1/2
New York.....	4	4 1/2	4 1/2	4 1/2
Philadelphia.....	3 1/2	4	4 1/2	4 1/2
Cleveland.....	3 1/2	4	4 1/2	4 1/2
Richmond.....	4	4 1/2	4 1/2	4 1/2
Atlanta.....	4	4 1/2	4 1/2	4 1/2
Chicago.....	3 1/2	4	4 1/2	4 1/2
St. Louis.....	4	4 1/2	4 1/2	4 1/2
Minneapolis.....	4	4 1/2	4 1/2	4 1/2
Kansas City.....	4	4 1/2	4 1/2	4 1/2
Dallas.....	3 1/2	4	4 1/2	4 1/2
San Francisco.....	3 1/2	4	4 1/2	4 1/2

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges	Balances
New York.....	\$667,878,166	\$17,795,470
Baltimore.....	7,169,448	798,599
Boston.....	40,995,263	4,927,411
Chicago.....	85,379,636	5,633,678
Philadelphia.....	49,844,298	4,017,149
St. Louis.....	22,833,681	2,864,428

Sub-Treasury.—New York banks gained from Sub-Treasury \$2,623,000.

Silver.—Barr in London, 36 1/2 pence; New York, 74 1/2 cents; Mexican dollars, 57 1/2 cents.

Gold Currents.—J. P. Morgan & Co. received \$7,200,000 in gold from Canada yesterday on British government account. The metal was deposited at the Assay Office. This brings arrivals for the month to date up to \$61,700,000 and for the year to date \$220,700,000.

Imports since January 1, 1915, from all sources now total \$1,358,200,000. Further arrivals from Canada are expected. A large part of the gold now being

shipped here from Ottawa came originally from the vaults of the Bank of Russia.

The Dollar in Foreign Exchange

Despite the reported success of the Italian government in obtaining financial assistance in London, Italian exchange was heavy yesterday and dropped back a fraction to 7 1/2 lire to the dollar. The decline occurred on a small amount of business. The rest of the market was dull and steady, with Russian rubles slightly firmer.

Closing rates yesterday, compared with a week ago, were as follows:

	Yesterday	Week ago
(Quoted dollars to the pound.)		
Sterling, demand.....	\$4.75 1/2	\$4.75 1/2
Sterling, sixty days.....	4.71 1/2	4.71 1/2
Sterling, cables.....	4.76 1/2	4.76 1/2
Sterling, ninety days.....	4.70 1/2	4.69 1/2
(Quoted units to the dollar.)		
Francs, demand.....	5.84 1/2	5.84 1/2
Francs, cables.....	5.83 1/2	5.84 1/2
Lire, checks.....	7.73	7.54
Lire, cables.....	7.73	7.53
Swiss, checks.....	5.03 1/2	5.02 1/2
Swiss, cables.....	5.02 1/2	5.01 1/2
(Quoted cents per 4 marks.)		
Reichsmarks, checks.....	68 1/2	68 1/2
Reichsmarks, cables.....	68 1/2	68 1/2
(Quoted cents to the unit.)		
Guilts, checks.....	40 1/4	40 1/4
Guilts, cables.....	40 1/4	40 1/4
Rubles, cables.....	27.95	28.05
Austrian, kronen, ch'ks.....	11.18	11.15
Stockholm, kr., ch'ks.....	29.55	29.60
Copenhagen, kr., ch'ks.....	28.85	27.50
Pesetas, checks.....	21.13	21.15
Argentina, pesos.....	99.80	99.90

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current	Intrinsic
Pounds, sterling.....	\$4.75 1/2	\$4.86 1/4
Francs.....	0.17 9	0.19 3
Guilts.....	0.40 1/4	0.40 2
Mark.....	0.17 1	0.23 8
Rubles.....	0.12 9	0.51 2
Lire, checks.....	0.12 9	0.13 3
Crowns (Denmark).....	0.28 85	0.28 8
Crowns (Sweden).....	0.22 55	0.28 8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling for \$4.75 1/2; the intrinsic parity is \$4.86 1/4 per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollar with which to settle accounts in this country is greater than the demand to settle accounts in England.

N. Y. City Issue Five

Times Oversubscribed

New York City sold \$10,000,000 of revenue bills and \$5,000,000 of corporate stock to local bankers yesterday. The successful bidders were:

Revenue bills—Salomon Bros. & Hutzler, \$9,100,000 at 3 1/2 per cent; Heidebach, Ickelheimer & Co., \$500,000 at 3 1/2 per cent; the National Park Bank, \$100,000 at 3 1/2 per cent; \$100,000 at 3 1/2 per cent and \$100,000 at 3 3/4 per cent. Corporate stock notes—Salomon Bros. & Hutzler, \$1,000,000 at 3 1/2 per cent; the National Park Bank, \$100,000 at 3 1/2 per cent, \$100,000 at 3 1/2 per cent and \$100,000 at 3 1/2 per cent; the United States Mortgage and Trust Company, \$100,000 at 3 1/2 per cent; Bernhard, Scholle & Co., \$500,000 at 3 1/2 per cent; \$500,000 at 3 1/2 per cent and \$100,000 at 3 1/2 per cent; the Guaranty Trust Company, \$1,000,000 at 3 1/2 per cent and \$1,000,000 at 3 1/2 per cent.

Total bids received amounted to \$80,550,000, of which \$55,000,000 were for revenue bills and \$24,550,000 for corporate stock notes. The corporate stock notes mature May 21 to 25 next and the revenue bills June 4 to 25 next.

Deputy Controller Fisher said the result was satisfactory. He intimated it would be some time before the city would attempt an issue of long term bonds. It was pointed out that the city would not be in need of additional funds for some time.

Significant Relations

Money and Prices:

	Today	Yesterday	1916	1915
Stock of money gold in the country.....	\$2,968,355,434	\$2,318,973,327		
Loans of all national banks.....	\$8,340,626,000	\$7,233,929,000		
Total reserve (i. e., cash in national bank vaults and on deposit with Federal Reserve banks).....	\$1,493,433,000	\$1,212,960,000		
Ratio of this total reserve to gross deposit liabilities of national banks.....	12.1%	11.9%		
Discounts of Federal Reserve banks.....	\$127,360,000	\$54,478,000		
Their liability for notes, net.....	18,787,000	10,178,000		
Their gold reserve against deposits and circulation.....	74.5%	74.5%		

Average price of 15 railroad stocks..... 111.26

Average price of 12 industrial stocks..... 96.57

Food cost of living (Annalist index number)..... 233.162

Production:

Unfilled U. S. Steel orders, tons..... 11,576,697

Pig iron (daily average), tons..... 94,180

Wheat crop, bushels..... 639,886,000

Corn crop, bushels..... 2,593,241,000

Cotton crop, bales..... 11,511,000

Distribution:

Net surplus of freight cars..... 109,770

Net surplus of freight cars..... 62,247

Potential Power Of Steel Trust Causes Anxiety

Government in Dissolution Suit Says Competitors Can Be Suppressed

Washington, March 13.—Arguments for the defence in the government's dissolution suit against the United States Steel Corporation were concluded today in the Supreme Court, and Solicitor General Davis began the final plea for the Department of Justice. He will conclude tomorrow.

Denying monopolistic intent, effect or promise by the corporation, C. A. Severance, of St. Paul, declared in closing for the defence that it "is a blessing that there is in this country such an organization, so strong and so efficient that it can go out and capture the markets of the world."

To the charge that the corporation controls 99 per cent of the foreign steel trade, Mr. Severance said it was not attained through crushing competitors but through "enterprising initiative." Prices, he said, had not been fixed by domination, but by competition, and competitors of the corporation had increased greatly, both in numbers and strength.

In beginning the final summing up for the government, Solicitor General Davis said that the possible use of the corporation's potential power was more important to consider than its past conduct.

"The government brings this suit," he said, "in the belief that a combination of able competitors in any trade so as to suppress competition between themselves is a violation of the Sherman law, if such restraint is undue, and it is undue when combining competitors possess a preponderant or dominant share. Intent of combination cannot relieve from condemnation of the law."

Reciting how early pools were followed by combinations of the corporation's constituent subsidiaries and then by the subsidiaries and then by the "huge merger," Mr. Davis said not only the subsidiaries "could alone stand the test of legality of the Sherman act."

"Their organizers had but two purposes in mind," he continued: "To escape the disadvantages of competition and to secure the profits of stock promotion. These illegal subsidiaries are still living, but their ownership and management is all centered and their policies directed by a handful of men comprising the committees of the corporation."

Relevant Facts

West Jersey and Seashore Railroad.—This road, a subsidiary of the Pennsylvania, serving the shore resorts and other points of Southern New Jersey, last year carried 1,816,369 more passengers and hauled 413,904 tons more of freight than in 1915. The total number of people who rode over its lines was 11,883,739, and the amount of freight hauled 3,568,845 tons. The average gross revenue for transporting a passenger one mile was 1.45 cents, and the net revenue, after paying operating expenses and taxes, was 2.2 mills.

The company earned for the year a net income of \$940,315. After making proper provision for the sinking fund, this represented 7.3 per cent on the total outstanding stock. The usual 5 per cent dividends were paid, and the entire balance, amounting to \$309,550, remaining from the net income, was appropriated for improvements, including revision of grades, alignment and tracks, betterments of equipment, etc.

Kelly Springfield Tire Company.—Stockholders, at their annual meeting held at Jersey City yesterday, formally approved the decision of the directors to erect a new factory at Cumberland, Md. In calling attention to the company's need for additional manufacturing facilities to meet an increasing demand for its products, the president, H. H. Currier, stated that no war business had been done during the year. Retiring directors were reelected without opposition.

P. Lorillard Company.—The annual report for 1916 shows net income of \$5,874,077, against \$4,820,913 in 1915. The balance available for dividends on the common stock after payment of

bond interest and preferred dividends was \$3,812,254, equal to 25.15 per cent on \$15,155,000 common stock, compared with 18.18 per cent earned on the same issue in 1915. The surplus from the year's operations was \$1,215,973, against \$764,417 in 1915 and \$157,003 in 1914.

Rutland Railroad Dividend.—Directors of the company yesterday declared a dividend of 2 per cent on the preferred stock, the first since April 15 to shareholders of record March 29. The New York Central and the New Haven systems own a majority of the \$5,057,000 7 per cent cumulative preferred stock. Of the \$2,480,000 common stock originally issued only \$193,400 is now outstanding.

American Railways.—Gross earnings of this company during 1916 amounted to \$5,840,913, an increase of \$3,402,676 over the previous year. The year's surplus after charges was \$1,827,641, a gain of \$754,063. The report says that several subsidiaries under consideration and that the payment of the company's collateral trust bonds due April 1, 1917, has been arranged for.

Distillers' Security Corporation.—Alvin W. Kreech, chairman of the board, has sent a letter to the stockholders requesting their proxies in the name of Julius Kessler, A. G. Hodges and M. A. Holsinger, to be voted at the annual meeting on March 21 "to insure the continuance of the existing management." A statement of the results of operations for the six months ended December 31 shows net earnings of that period of \$124,543. At a meeting of the directors scheduled for today it is expected that they will vote to cut the dividend from 6 per cent to possibly 4 per cent annually.

Coal Profits Increase Despite Less Output

Pittsburgh Company Earned 9.82 Per Cent on Preferred Stock in 1916

Although the total tonnage of coal produced and handled during 1916 by the Pittsburgh Coal Company, exclusive of outside purchases, was 424,510 tons less than in the year before, the concern reported an increase in net earnings of \$1,372,962, the total \$5,592,799. Income available for dividends, derived from last year's operations, was \$3,143,926, equal to 9.82 per cent on \$32,000,000 preferred stock, compared with 6.1 per cent earned on the same stock in 1915.

M. H. Taylor, president, stated in his annual report to stockholders that both earnings and production fell below expectations, owing to scarcity of labor and inadequate transportation facilities.

"The year was chaotic," he said, "and while better results should have followed the great output in coal values, it is also true that until the middle of the year had been well passed there was no indication the company would do as well as it did."

The demand for coal this year, Mr. Taylor predicted, will be larger than can be produced with the present labor supply, even if transportation improves, and the company's operations are therefore expected to exceed those of 1916. Net working capital stock of the company on December 31 was \$9,092,108, an increase of \$2,495,927.

News Digest

Foreign

London Stock Firmers, London, March 13.—The stock market, without any material increase in business today, reflected the effect of the war news and cheaper money, especially in the gilt-edged section, where firms maintained the recent improvements and made further fractional gains. Cuban rails were better, and the strength of the raw material helped rubber stocks. Oil shares attracted more attention, but Persian issues were flat. American securities were irregular, with a few dealings in the low priced shares.

Money is in such liberal supply that the banks are reducing charges for weekly loans. The ruling rate is 4 1/2 per cent. Discount rates are easy at 4 1/4 per cent.

New York

Phelps Dodge Subsidiary to Increase Stock.—The copper group Consolidated Mining Company at Albany yesterday certified to an increase in its capital stock from \$2,000,000 to \$3,000,000. This is part of a plan in which is involved a change in name to the Phelps Dodge Corporation, and the consolidation of several important subsidiaries of Phelps Dodge & Co., the \$45,000,000 holding concern. The Phelps Dodge Corporation will be known as the operating company and will also have an outstanding capital of \$45,000,000.

Elections

Developments yesterday indicate that the American International Corporation will assume an active part in the management of the United States Industrial Alcohol Company. That was indicated by the election, at the annual meeting of stockholders, of W. M. Sederman, George W. Bence, E. L. Scholtz, C. F. Bucholtz, Adolph Speigel and Stephen Hexter.

The United Drug Company, it was announced yesterday, has elected the following new directors: W. M. Sederman, George W. Bence, E. L. Scholtz, C. F. Bucholtz, Adolph Speigel and Stephen Hexter.

Corporation Returns

American Railways.—Report for the year ended December 31, 1916, compares as follows:

	1916	1915
Gross income.....	\$1,338,269	\$1,485,625
Net income.....	762,338	459,386
Preferred dividends.....	280,000	140,000
Common dividends.....	378,400	302,099
Surplus.....	103,938	17,288
Previous surplus.....	563,021	
Total surplus.....	666,959	

Active Securities

Stocks

(By The Associated Press.)

Wall Street, March 13.

Tendencies recently manifested by the stock market in the direction of higher levels were halted by the turn of events in the controversy between the railway brotherhoods and railway managers. The reported attitude of the labor unions was the more surprising and disconcerting from the fact that the financial community had been led to believe in the existence of a temporary working agreement between the opposing interests.

Railway shares yielded 1 to 2 points on the moderate offerings of the morning, with as much and occasionally a little more for other active stocks, including leading industrials, shippings, metals and the usual specialties.

Later, when dealings dwindled to insignificant proportions, prices made gradual but complete recoveries, including a few noteworthy gains, due mainly to short covering.

As usual, United States Steel, which closed at a slight fractional advance, furnished a large proportion of the day's business, with copper, shippings, Central, Leather and a few other war and